

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 L-02

CIAE-00 DODE-00 INR-05 NSAE-00 PA-01 USIA-06 PRS-01

EB-07 COME-00 TRSE-00 OMB-01 AID-05 OPIC-03 SIL-01

LAB-04 /073 W

----- 088942

R 051022Z DEC 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 4825

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL JERUSALEM

AMEMBASSY JIDDA

C O N F I D E N T I A L TEL AVIV 7033

E.O.11652: GDS

TAGS: PFOR, PINT, IS, XF

SUBJECT: RABIN DISCUSSES IMPLICATIONS OF ECONOMIC SITUATION

REFS: A. TEL AVIV 6900

B. TEL AVIV 6982

1. IN SPEECH DEC 3 PM RABIN SAID TO JERSUALEM ECONOMIC CLUB THAT ISRAELI ECONOMIC SITUATION IS APPROACHING POINT AT WHICH GOI WILL HAVE TO RESTRICT GROWTH OF MILITARY STRENGTH. HE ADDED, HOWEVER, THAT ISRAEL'S PRESENT MILITARY SITUATION IS BETTER THAN ON EVE OF OCTOBER WAR., INBOTH ABSOLUTE AND RELATIVE TERMS. IN ADDITION, ACCORDING TO RABIN, BOTH IDF AND GOVERNEMENT HAD DRAWN NECESSARY CONCLUSIONS FROM OCTOBER WAR AND WOULD WIN ANOTHER WAR SHOULD THERE BE ONE.

2. ACCORDING PRESS ACCOUNTS, RABIN SAID STRENGTHENING OF
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ISRAELI MILITARY IS IMPOSSIBLE WITHOUT POLIICAL UNDERSTANDING

WITH SUPPLIERS OF EQUIPMENT, ALTHOUGH THIS DOES NOT MEAN LATTER WILL DICTATE TO ISRAEL. NOEVERTHELESS, PM SAID HE WOULD NOT BE SURPRISED IF "SOME FRICTION" WITH USG ARISES IN NEAR FUTURE REGARDING SOLUTIONS TO AREA PROBLEMS. IN ABSENCE OF PARTIAL SETTLEMENTS OPPORTUNITY FOR OVERALL AGREEMENT WOULD STILL REAMIN. HOWEVER, RABIN CAUTIONED THAT ISRAEL COULD NO CONSENT TO DISCUSS SUCH AGREEMENT WITH ALL ARAB STATES AND RUSSIANS AT SAME TIME BEACUE THIS COURSE WOULD LEAD TO POLITICAL STALEMATE.

3. RE ECONOMICSITUATION, RABIN IMPLIED POSSIBILITY OF FURTHER AUSTERITY MEASURES, EVEN AT RISK OF CONFRONTATION WITH HISTADRUT. ON IMPLEMENTATION OF PRESENT PROGRAM, JERUSALEM POST QUOTES HIM SAYING " IT WILL NOT BE EASY TO CONTEND WITH THE HISTADRUT REGARDING THE YEAR-LONG WAGE FREEZE- BUT THIS IS UNAVOIDABLE" IF GOI ECONOMIC POLICY IS TO SUCCEED. RABIN CONTENDED THAT ECONOMIC STRUGGLE ALSO NECESSITATED REFORM IN TAX AND WAGE POLICIES, PRODUC- TIVITY AND INVESTMENTS. STATING THAT ISRAEL COULD NOT EXPECT CONTRIBUTIONS FROM WORLD JEWRY TO CONTINUE TO INCREASE IN VIEW OF GLOBAL ECONOMIC SITUATION, RABIN SAID ISRAELIS WOULD HAVE TO LERN TO LIVE WITHIN THEIR MEANS, AT LOWER STANDARD OF LIVING.

4. IN REFERENCE TO NEED FOR SACRIFICE TO BE SPREAD EQUALLY AMONG ALL WORKERS, RABIN TOOK EXCEPTION WITH RECENT WAGE INCRASE GIVE TO BANK OF ISRAEL EMPLOYEES AND TO DISTRIBUTION OF IAI PROFITS TO ITW WORKERS. HEALSO DISMISSED HISTRADRUT CLAIMS THAT SIGNS OF UNEMPLOYEMENT HAD BEGUN TO APPEAR, CITING DIFICULTY OF FINDING URBAN WAORKERS TO HELP BUILD FORTIFCATIONS ON GOLAN HEIGHTS AND CONSEQUENT NEED TO HIRE LOCAL LABORERS.

5.DURING Q&A SESSION FOLLOWING SPEECH, RABIN REPORTEDLY SAID HE WOULD NOT CALL FOR NEW ELECTIONS UNTIL CURRENT TERM ENDS UNLESS NECESSITATED BY NEW CIRCUMSTANCES.

6. COMMENT: RABIN'S REMARKS ON POSSIBLE ECONOMIC LIMITS TO MILITARY STRENGTH SHOULD B UNDERSTOOD IN CONTEXT OF ON-GOING DISCUSSIONS BETWEEN GOI, HISTADRUT, AND EMPLOYERS ON HOW MUCH CONFIDENTIAL

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COST-OF-LIVING ALLOWANCE ADJUSTMENT WILL BE PAID TO WORKERS (REF A). INTERNAL ECONOMIC SITUATION HAS ALWASY HAD ONLY INDIRECT BEARING ON ISRAEL'S DEFENSE POSTURE WHICH CONTINUES TO HAVE HIGHEST PRIORITY; MOREOVER, ISRAELI DEFENSE INDUSTRY SUP- PLIES ONLY SOME 50 PERCENT OF MILITAY NEEDS. RABIN WAS WARNING ISRAELI PUBLIC THAT ISRAEL'S ECONOMIC PORLBMES HAVE NOT BEEN SOLVED BY ANNOUNCEMNET NEW ECONOMIC PROGRAM AND THERE WOULD BE NEED FOR AUSTERITY FOR LONG TIME IN FUTURE. THIS WAS REITERATION

"SEVEN LEAN YEAR THEME" OF RABIN INTERVIEW IN HAARETZ(REF B).

7. THERE IS A QUESTION IN MY MIND WHETHER RABIN WAS WISE TO MAKE
WUCH A RELATIVELY GLOOMY ASSESSMENT JUST AT THIS TIME. HE MUST HAVE
KNOWN IT WOULD BE USED IN ARAB COUNTRIES AS EVIDENCE THAT ISRAEL CANNOT

INDEFINITELY WITHSAND EXTERNAL WAR THREATS. BUT I SUPPOSE HE
CONCLUDED ON BALANCE THAT HIS INTERNAL PROBLEMS WERE OF UPPERMOST
IMPORTANCE.

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